

**BY ORDER OF THE  
SUPERINTENDENT**

**UNITED STATES AIR FORCE ACADEMY  
INSTRUCTION 65-101**



**27 MARCH 2014**

***Financial Management***

**MANAGING CADET FUNDS**

**COMPLIANCE WITH THIS PUBLICATION IS MANDATORY**

---

**ACCESSIBILITY:** Publications and forms are available for downloading or ordering on the e-Publishing website at [www.e-publishing.af.mil](http://www.e-publishing.af.mil).

**RELEASABILITY:** There are no releasability restrictions on this publication.

---

OPR: HQ USAFA/FMF

Certified by: HQ USAFA/FMP  
(Mr. Terry W. Anderson)

Supersedes: USAFAI65-101,  
9 August 2012

Pages: 17

---

This instruction implements Air Force Policy Directive (AFPD) 65-1, *Management of Financial Services*. The purpose of this publication is to provide instructions on cadet budget development and cadet pay entitlements. This instruction applies to all United States Air Force Academy (USAFA) personnel. This publication does not apply to Air Force Reserve Command (AFRC) units and the Air National Guard (ANG). Refer recommended changes and questions about this publication to the office of primary responsibility (OPR) using Air Force (AF) Form 847, *Recommendation for Change of Publication*. The authorities to waive requirements in this publication are identified with a Tier ("T-0, T-1, T-2, T-3") number following the compliance statement. See AFI 33-360, Publications and Forms Management, for a description of the authorities associated with the Tier numbers. Submit requests for waivers through the chain of command to the appropriate Tier waiver approval authority. The waiver authority for non-tiered requirements in this publication is USAFA financial management (USAFA/FM). Ensure all records created as a result of processes prescribed in this publication are maintained in accordance with (IAW) Air Force Manual (AFMAN) 33-363, *Management of Records*, and disposed of IAW the Air Force Records Information Management System (AFRIMS) Records Disposition Schedule (RDS).

This publication requires the collection and/or maintenance of information protected by the Privacy Act of 1974. Justification for collection of the cadet social security number (SSN) is authorized by the Department of Defense (DoD) SSN reduction memo under justification # 11, legacy system interface. The USAFA Form 118, *Cadet Basic Allowance for Subsistence (BAS) Request*, will be filed IAW RDS table 065-30 rule 20.00.

## ***SUMMARY OF CHANGES***

Paragraph 1.2.2. was updated to correct the examples of cadet personal deductions. Paragraph 3.4.1. updated the paragraph reference in last sentence from 3804 to 3805. Paragraph 6.1. updated to change approval authority for subsistence-in-kind from USAFA financial management policy (HQ USAFA/FMP) to USAFA financial management finance (HQ USAFA/FMF). Paragraph 15. and Attachment 3 were added to identify the pay entitlement of Preparatory School Students.

1.	Cadet income and expenses. ....	2
2.	Cadet pay group. ....	3
3.	Certification of cadet entitlements and deductions. ....	4
4.	Cadet oath and separation/travel entitlements. ....	5
5.	Cadet scholarships and/or educational investment funds. ....	6
6.	Cadet basic allowance for subsistence (BAS). ....	6
7.	Combat zone tax exclusion (CZTE), hardship duty pay-location (HDP-L), and imminent danger pay (IDP) for cadets. ....	8
8.	Thrift Savings Plan (TSP) for cadets. ....	8
9.	Cadets are only authorized allotments for charity and the association of graduates (AOG) lifetime membership. ....	8
10.	Foreign student program-tuition billing (applies to international students attending USAFA for the full four years). ....	8
11.	Cadet leave. ....	9
12.	Service credit. ....	9
13.	Student aid, educational tax benefits, and educational credits. ....	9
14.	Cost per graduate (CPG) and cost of education (CoE). ....	9
15.	USAFA Preparatory School Students (HQ USAFA/PL) ....	10
<b>Attachment 1—GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION</b>		<b>12</b>
<b>Attachment 2—COMBAT ZONE TAX EXCLUSION (CTZE), HARDSHIP DUTY PAY-LOCATION (HDP-L) AND IMMINENT DANGER PAY (IDP) FOR AIR FORCE ACADEMY CADETS</b>		<b>15</b>
<b>Attachment 3—PAY OF SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS</b>		<b>16</b>

### **1. Cadet income and expenses.**

1.1. All cadets are on net pay and expected to manage their income and expenses. Purchases are normally pay-as-you-go with the exception of the fourth class cadets who are given an advance of pay on their pay record (not paid to the cadet directly) to cover their initial

expenses. These expenses include the cost of clothing, equipment, computer, computer maintenance, books, dry cleaning, laundry, linen, tailor, allied arts fee, athletic association fee, and any other items as identified in the cadet pay budget. Individual class budgets identify the estimated expenses associated with each class and are prepared annually to outline cadet income and expenses. **(T-2)**. Cadets are entitled to monthly pay at a rate equal to 35 percent of the basic pay of a commissioned officer in a pay grade O-1 with less than two years of service IAW 37 United States Code (USC) 203(c). A foreign student receiving instruction under 10 USC 9344 is entitled to the pay, allowances, and emoluments of a cadet appointed from the United States, and from the same appropriations. For tax purposes, a foreign student has federal income tax withheld, however, there is no deduction for state tax or Social Security, i.e., Federal Insurance Contributions Act (FICA) and Medicare. **(T-0)**.

1.2. Annually, FMF cadet pay office requests inputs from organizations processing payroll deductions against cadet pay records. FMF consolidates those inputs into a proposed annual cadet budget, which is presented to the Cadet Pay Group (CPG). All supporting documentation for cadet payroll deduction changes, which are Non-Appropriated Fund (NAF) related, require a NAF accounting (NA) form 9, *Evaluating Fees and Charges*, to be submitted to Headquarters (HQ) USAFA Financial Management NAF oversight (HQ USAFA/FMN) office for review. After review by HQ USAFA/FMN, the request is forwarded to HQ USAFA/FMF for inclusion as a voting and/or agenda discussion item at the next CPG meeting. HQ USAFA/FMF furnishes minutes of the meeting to HQ USAFA/FM for review before forwarding to the USAFA Superintendent (HQ USAFA/CC) for approval. HQ USAFA/FMF provides the approved annual cadet budget to all cadets prior to transition week. All new payroll deductions, deduction increases or decreases, and/or removal of any payroll deductions approved by the CPG will take effect upon approval by HQ USAFA/CC. **(T-1)**.

1.2.1. The NA-9 is required when there is a change in deductions for barber, allied arts fee, athletic association fee, USAFA radio station, basic cadet training yearbook, graduation yearbook, and any other NAF related expense submitted for payroll deduction. **(T-1)**.

1.2.2. The NA-9 is not required for cadet personal deduction items that are not a NAF related expense. Examples are dry cleaning, laundry, linen, tailor, computer, software license, textbooks, diploma and clothing issue. However, inputs are required to be submitted for the above items annually before the beginning of February to develop the cadet budget for the upcoming class year. **(T-1)**.

**2. Cadet pay group.** The CPG recommends and controls cadet expenditures by considering such issues as cash allowances, cadet indebtedness, deductions, and charges. Cadet pay charges shall be for required items necessary to successfully graduate, not for the convenience of an organization. The CPG will convene a minimum of one time per year. A quorum (majority) of those voting members identified in paragraph 2.1. must be in attendance to hold the meeting. Once a quorum is established, a majority vote of those in attendance is sufficient for recommended approval in the minutes to HQ USAFA/CC. In a situation where the vote is equal, the vote will be decided based on the chairperson's vote. When a quorum is not met or at other times as warranted, an e-mail vote may take place to complete an agenda item. Once a majority of the voting members approve or disapprove an e-mail vote, follow-up voting action with non-responsive members is not required. The voting members listed below may delegate an alternate

from their appropriate office who may vote in the absence of the primary panel member at the CPG or the e-mail vote. **(T-1).**

2.1. Voting members:

2.1.1. USAFA Commandant of Cadets, Vice Commander (USAFA/CWV) Chairperson

2.1.2. USAFA Dean of Faculty, Vice Dean (USAFA/DFV)

2.1.3. USAFA Associate Athletic Director of Finance (USAFA/ADF)

2.1.4. USAFA Deputy Director of Admissions (HQ USAFA/RR)

2.1.5. USAFA Director of Financial Management, Comptroller (HQ USAFA/FM)

2.1.6. Representative, First Class Council

2.1.7. Representative, Second Class Council

2.1.8. Representative, Third Class Council

2.1.9. Representative, Fourth Class Council

2.1.10. Cadet Wing Commander (or designee)

2.2. Nonvoting members:

2.2.1. Chief Support Division (USAFA/CWTM)

2.2.2. Resource Management Office (RMO), 10th Force Support Squadron (10 FSS/FSR)

2.2.3. 10th Logistics Readiness Squadron (10 LRS/LGR)

**3. Certification of cadet entitlements and deductions.**

3.1. HQ USAFA/FMF appoints, in writing, certifying officials responsible for certifying documents and vouchers originating in the finance office.

3.2. Individual organizations submitting cadet payroll deductions to cadet pay must appoint their own certifying officials who prepare proper and timely cadet charges and maintain supporting documentation. The organization also provides cadet pay the appropriate input files for upload into the payroll system. **(T-1).**

3.3. The annual cadet budget specifies all appropriate/authorized charges through a cadet's pay record, except books and uniforms, which may vary from the budgeted cost. Any payroll deduction charge not included on the cadet budget requires approval by the CPG and HQ USAFA/CC before deductions take place. **(T-1).**

3.4. Organizations processing variable deductions, such as uniforms and equipment, must submit them promptly and in the required format to HQ USAFA/FMF for processing through the Defense Joint Military Pay System. An organization may request, in writing, a fixed charge to affect an entire class(es) for a specific payroll month. Fixed monthly recurring charges for personal deductions are computer-generated and will process against cadet records until graduation, separation, or cancellation by the organization. **(T-1).**

3.4.1. Clothing and Equipment. If a cadet is discharged before graduation while owing the United States for pay advanced for the purchase of required clothing and equipment,

he/she shall turn in so much of their clothing and equipment of a distinctive military nature as is necessary to repay the amount advanced. If the value of the clothing and equipment turned in does not cover the amount owed, the indebtedness shall be canceled IAW 10 USC 9350 and Department of Defense Financial Management Regulation (DoDFMR) volume 7A, chapter 38, paragraph 3805. (T-0).

#### 4. Cadet oath and separation/travel entitlements.

4.1. Upon taking the oath, cadets, by signing the oath, execute a power of attorney designating HQ USAFA/CC as their attorney and agent with full power to receive and disburse their cadet pay and allowances. (T-1).

4.1.1. Applicants who refuse to take the oath after arrival at USAFA or were absent during in processing to take the oath, are not authorized travel entitlements to USAFA. HQ USAFA/FMF customer service shall initiate collection action on any government issued tickets for those applicants who do not take the oath. Additionally, these applicants are responsible for paying their own travel expenses home. Reference Department of Defense Directive (DoDD) 1322.22, *Service Academies*, paragraph 4.3.8. (T-0).

4.1.2. Rejected applicants who are not allowed to take the oath may be authorized travel entitlements. See Joint Federal Travel Regulation (JFTR), Volume 1, Uniformed Service Members, current addition, chapter 7 and Comptroller General Decision B-179331, October 19, 1973. (T-0).

4.1.3. Voluntary and involuntary separation and travel entitlements.

4.1.3.1. Voluntary leave without pay. Cadets who decide to depart USAFA voluntarily after taking the oath are entitled to separation travel entitlements after receiving a separation order with an AF prefix. The AF order is the final disenrollment separation authorization with a fund cite for payment of travel expenses. Cadets who make a personal choice to depart USAFA before final approval of their disenrollment, travel on a prefix AC order which does not contain a fund cite. These cadets are traveling at their own expense until receipt of an AF order. Once the cadet receives the AF order, he/she may file for separation travel reimbursement IAW JFTR U5125.A.4. Also reference DoDD 1332.23, *Service Academy Disenrollment*. (T-0).

4.1.3.2. Involuntary Leave Without Pay. IAW 10 USC 702, the Secretary concerned may place an academy cadet on involuntary leave for any period during which HQ USAFA/CC has suspended the cadet from duty at the Academy;

4.1.3.2.1. pending separation from the Academy;

4.1.3.2.2. pending return (administrative turn backs) to the Academy to repeat an academic semester or year; or

4.1.3.2.3. for other good cause.

4.1.3.3. A cadet placed on voluntary or involuntary leave under paragraph 4.1.3.1. and 4.1.3.2. are not entitled to any pay under section 37 USC 203 (c) for the period of the leave.

4.1.3.4. Return of an academy cadet to a pay status at the Academy from voluntary or involuntary leave status does not restore any pay or travel entitlements for the period of the leave. (T-0).

## **5. Cadet scholarships and/or educational investment funds.**

5.1. HQ USAFA/FM does not accept cadet scholarships containing restrictions. Restrictions are defined as any condition or limitation a scholarship agency places on the use of the funds. Some examples include “must be used for tuition, room and/or board,” “student is required to maintain a specific grade point average (GPA),” “scholarship funds will be paid back if cadet disenrolls,” etc. Cadet scholarships without restrictions or silent on restrictions will be accepted provided the check is payable to the U.S. Treasury. Scholarships accepted by HQ USAFA/FM are never refunded to the agency granting the scholarship, even if the cadet disenrolls. Ideally, scholarships should be made payable directly to the cadet; however, many agencies have rules against payments directly to students. (T-0).

5.2. Educational investment funds (e.g., 529 plans) may not be accepted due to their federal and state tax restrictions and based on the specific plan may have other restrictions on how the funds are used. Normally a university financial aid office monitors these restrictions; however, a financial aid office does not exist at USAFA. USAFA does not charge for tuition, room, or board IAW 10 USC 4360 like other universities or have the authority to maintain separate billing and receiving accounts required to monitor the restrictions levied by law. The individual owner or administrator of the educational investment plan determines the valid use of the funds based on specific fund requirements and any state, federal, and/or Internal Revenue Service (IRS) restrictions. The owner/administrator shall consult their financial advisor, tax advisor, or legal advisor to ensure the specific fund rules are followed and if there are procedures for providing proceeds directly to the cadet. (T-0).

5.3. Scholarship and/or educational investment proceeds returned to the originator will be accompanied with a letter explaining the above policy and contain an approximation of cadet income and expenses.

5.4. The USAF Academy does not issue IRS Form 1098-T, *Tuition Statement*, because (1) USAFA is prohibited by law from charging tuition, (2) USAFA is not considered an eligible educational institution as we are ineligible to participate in the Department of Education’s student aid program, and (3) USAFA does not maintain a separate student financial account required by the IRS. Any tax consequence as a result of attending USAFA, receiving scholarship funds, and/or receiving educational investment plan proceeds are the responsibility of the cadet. (T-0).

## **6. Cadet basic allowance for subsistence (BAS).** The authority for cadet BAS is covered in the DoDFMR Volume 7A, Chapter 38 and DoDFMR Volume 12, Chapter 20. Effective October 2008 the BAS rate for cadets is equivalent to the enlisted BAS rate. (T-0).

6.1. The following are four specific instances when cadets may receive BAS in their pay for periods of authorized leave or Temporary Duty (TDY). Normally cadets are not granted leave except for Thanksgiving, winter break, spring break, and one summer period IAW USAFAI 36-2014, *Allocation of Cadet Time*, paragraph 1.1.4.5. At all other times subsistence-in-kind is considered available unless otherwise determined by the HQ USAFA/FMF. (T-1).

6.1.1. BAS is payable for group leave periods when Mitchell Hall is closed, e.g., Thanksgiving, winter break and spring break. The BAS entitlement is paid automatically by HQ USAFA/FMF based on the leave order received from the USAFA Cadet Wing designating the dates Mitchell Hall is closed. BAS is normally not payable for any periods before or after the dates Mitchell Hall is closed and will not be counted unless authorized under paragraphs 6.1.3. or 6.1.4. below. No action is required on the part of the cadet, Air Officer Commanding (AOC), or Academy Military Training Noncommissioned Officer (AMT). (T-1).

6.1.2. BAS is payable while on official summer leave away from USAFA. The source document to receive BAS is the USAFA Form 118, *Cadet Basic Allowance for Subsistence (BAS) Request*. Cadets initiate this request, sign, and forward to their AOC/AMT for approval. The AOC/AMT submits the completed form encrypted to the [usafa.fm@us.af.mil](mailto:usafa.fm@us.af.mil) mailbox for processing by cadet pay. (T-1).

6.1.3. BAS is payable for periods of TDY when cadets are required to pay for their meals. The source documents are the USAFA Form 118, the Defense Travel System (DTS) TDY order, and the DTS TDY settlement voucher. Cadets initiate the USAFA Form 118 and attach supporting TDY order and voucher. BAS is payable when government meals are not available or directed, partial (one or two) government meals are available and directed or all government meals are available and directed and the cadet was required to pay for the government meals. Cadets are entitled to BAS on travel days provided they are not traveling in a "members traveling together" status. BAS is not payable on any day when all meals are provided without charge, including travel days when traveling in a "members traveling together" status. Cadets who are TDY to an AF installation will have meals provided without charge unless the installation does not have a government dining facility IAW AFMAN 34-102, *Directory of Government Quarters and Dining Facilities*. For instructions on how cadets are treated as meal card holders at Air Force dining facilities, see USAFAI 65-103, *Financial Management Policy*, Figure A4.1. (T-1).

6.1.4. BAS is payable for the dates of convalescent leave indicated on the AF Form 988, *Leave Request/Authorization*, provided the leave address is not on USAFA. A properly completed and signed AF Form 988 must be submitted by the Cadet's AOC or AMT to cadet pay for processing. (T-1).

6.2. The subsistence allowance earned by a cadet under paragraphs 6.1.1., 6.1.2., 6.1.3., and/or 6.1.4. above will not be paid to Mitchell Hall. During summer operations, Air Force appropriated fund (APF) dining facilities provide meals to cadets without charge. HQ USAFA/FMF shall reimburse the Air Force Centrally Managed Allotment (CMA) appropriation based on the number of cadets performing summer operations TDY. The reimbursement will be the daily rate (applicable to the fiscal year IAW the DoD Comptroller published rate) times the number of days of TDY. HQ USAFA/FMF will credit the CMA appropriation 57\*3500 32\* C93B 48 562 525725 from the cadet CMA appropriation 57\*3500 32\* P552 02 525700. This total amount will also be withheld from the payment to Mitchell Hall. HQ USAFA/FMF will process one Standard Form (SF) 1080, *Voucher for Transfers between Appropriations and/or Funds*, as a "no check drawn." HQ USAFA/FMF informs the Chief, Air Force Food Services, Air Force Services Agency when the funding has been transferred. (T-1).

**7. Combat zone tax exclusion (CZTE), hardship duty pay-location (HDP-L), and imminent danger pay (IDP) for cadets.**

7.1. Cadets are not entitled to incentive pay for hazardous duty or special pay for duty subject to hostile fire or imminent danger. Therefore, cadets serving in, or support of, combat zones or qualified hazardous duty areas are not eligible for income tax exclusion. Authority is the Secretary of the Air Force General Counsel memorandum dated 15 April 2005 at attachment 2, figure A2.1. **(T-0).**

**8. Thrift Savings Plan (TSP) for cadets.**

8.1. Cadets are not eligible to participate in TSP. 37 USC 211 allows members to participate in TSP IAW 5 USC 8440e. In 5 USC 8440e, members of the uniformed services may participate in TSP when "base pay" is payable under 37 USC 204. Cadets receive "base pay" under 37 USC 203 and therefore ineligible to participate in TSP. **(T-0).**

**9. Cadets are only authorized allotments for charity and the association of graduates (AOG) lifetime membership.**

9.1. The Combined Federal Campaign (CFC) and the Air Force Assistance Fund (AFAF) are the only authorized charity allotments for cadets. MyPay should be used for starting deductions for the CFC. **(T-3).**

9.2. Cadet pay accepts the DD Form 2558, USAFA Overprint, *Authorization to Start, Stop or Change an Allotment*, to start, stop or change the allotment for the AOG lifetime membership at graduation program. This overprint allows electronic signature capability and the form may only be received from the cadet.

**10. Foreign student program-tuition billing (applies to international students attending USAFA for the full four years).**

10.1. U.S. Service Academies instruct foreign students on a reimbursable basis. Under 10 USC 9344, the Secretary of Defense (SecDef) may approve country participation and may waive reimbursement, in whole or in part. SecDef's waiver authority has been delegated to the Office of the Under Secretary of Defense for Policy (OUSD(P)) in DoDD 1322.22. Annually by the end of June, the OUSD(P) publishes a listing of countries eligible to send students to the academies during the subsequent academic year, specifying reimbursement requirements. This listing is forwarded to the USAFA Admissions Office from OUSD(P) identifying the countries and whether the country has been granted a tuition waiver. **(T-0).**

10.2. Annually by the end of May, the Office of the Under Secretary of Defense for Comptroller (OUSD(C)) establishes a tuition rate for the succeeding school year and publishes that rate to the Secretaries of the Military Departments, to the OUSD(P), and to the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD(P&R)). This guidance is covered in paragraph 4.4.3. of DoDD 1322.22. The billing rate is established each academic year. The reimbursable rate is posted at Tab A of the OUSD(C) web site located at <http://comptroller.defense.gov/financialmanagement/reports>. The billing amount changes each year, however, the waiver granted a specific student applies for the entire four years. **(T-0).**

10.3. Annually after the new class has arrived, HQ USAFA/FMF will submit a memorandum to the Defense Finance and Accounting Service (DFAS)-INDY/JAXAA for collection action on foreign students. The memorandum will contain a list of the foreign students, their class year, their home country, waiver applicable (none or full) and the amount to be billed by DFAS to the home country of the international cadet. The memorandum will be supported with the waiver authority from OUSD(P) and the billing rate established by OUSD(C). (T-0).

10.4. The appropriation used by DFAS for collection of the foreign student tuition is 57 3210.9999, the Air Force Miscellaneous Receipts Account.

**11. Cadet leave.** Cadets do not earn leave IAW 10 USC 702(c). The normal leave accrual and leave use provisions for active duty personnel under 10 USC sections 701, 703, 704, and graduation leave do not apply to academy cadets. However, cadets are authorized a leave of absence when approved under USAFAI 36-2014. (T-01).

**12. Service credit.** In computing length of service for any purpose, officers may not count service performed while serving as a cadet IAW 10 USC 971. (T-0).

**13. Student aid, educational tax benefits, and educational credits.** USAFA is not eligible to participate in the Department of Education Title IV programs and therefore does not receive Title IV program funds. USAFA is an eligible school for deferment purposes only. Since USAFA is not eligible to participate in a student aid program administered by the Department of Education, it is not an eligible educational institution as defined in IRS Publication 970, *Tax Benefits for Education*, and does not file any Form 1098-T. Because USAFA is not an eligible educational institution, any education expenses a cadet may incur are not qualified education expenses for the Hope, American Opportunity or Lifetime Learning Credits, the Tuition and Fees Deduction, or distributions from education savings plans. (T-0).

**14. Cost per graduate (CPG) and cost of education (CoE).**

14.1. The DODD 1332.23 establishes reimbursement policies for cadets failing to complete their required active duty period when called to active duty, and for those not called to active duty. Individuals failing to complete the required active duty period or who are ordered by the Secretary of the Military Department concerned to reimburse the United States under 10 U.S.C. 2005 (reference (b)) ordinarily shall be required to reimburse the Government for education costs commensurate with time remaining on the active duty obligation when discharged. (T-0).

14.2. The appropriation used for collection of USAFA CoE debts is 57 3210.9999, the Air Force Miscellaneous Receipts Account. This appropriation, not the USAFA/FM company code, is used for all USAFA cadets and graduates separating without serving their active duty service commitment. These CoE debts are exceptions to the rule of using a company code on miscellaneous debts. The Deputy Assistant Secretary for Financial Operations (SAF/FMP), Air Force Accounting and Finance Office (AFAFO), was the approval authority for this exception. (T-0).

14.2.1. USAFA cadets separating may incur a CoE debt. HQ USAFA Judge Advocate (HQ USAFA/JA) works with HQ USAFA Financial Management Analysis (HQ USAFA/FMA) to determine the amount of the debt to be collected. HQ USAFA/JA, upon receipt of the separation approval documents, submits the CoE debt package to HQ

USAFA/FMF. HQ USAFA/FMF completes a document transmittal and debt certification statement IAW DoDFMR, volume 5, chapter 29, and forwards the entire CoE debt package to DFAS, Indianapolis out-of-service debts. DFAS acknowledges receipt of the transmittal and initiates collection action. **(T-0).**

14.2.2. USAFA graduates separating from active duty without serving the required active duty service commitment IAW AFI 36-2107, *Active Duty Service Commitments (ADSC)*, will incur a CoE debt. The Air Force Personnel Center (AFPC) computes the amount of the debt IAW AFI 36-3207, *Separating Commissioned Officers*, using their recoupment calculator, and prepares the DD Form 139, *Pay Adjustment Authorization*. The recoupment calculator requires the total cost for the four year CoE at USAFA. The four year CoE amount used in the recoupment calculator is based on the year the officer graduated from USAFA. This four year CoE amount is provided to AFPC by HQ USAFA/FMA. The appropriation specified in paragraph 14.2. above is used in the appropriation data block by AFPC when preparing the DD Form 139. AFPC sends a case management system (CMS) request, with the DD Form 139 attached, to DFAS, Indianapolis for posting and collection of the debt. DFAS should be posting these debts as a miscellaneous tuition assistance debt and collect all amounts received into an Air Force level line of accounting, not a USAFA company code. **(T-0).**

14.3. Contact HQ USAFA/FMA for the CPG and CoE computation.

## **15. USAFA Preparatory School Students (HQ USAFA/PL)**

15.1. A student at the USAFA Preparatory School who was selected to attend the preparatory school from civilian life is entitled to monthly student pay at the same rate as provided for cadets IAW 37 USC 203(e)(1). **(T-0).**

15.2. A student at the USAFA Preparatory School who at the time of the student's selection to attend the preparatory school, was an enlisted member of the uniformed services shall receive monthly basic pay at the rate prescribed for the student's pay grade and years of service as an enlisted member or at the rate provided for cadets and midshipmen under subsection 37 (c), whichever is greater. Reference 37 USC 203(e)(2). **(T-0).**

15.3. A student at the USAFA Preparatory School who was a reservist, refer to 32 CFR 903.5 *Reserve Enlistment Procedures*.

15.3.1. Civilians admitted to the HQ USAFA/PL take the oath of enlistment on the date of their initial in-processing at the HQ USAFA/PL. Their effective date of enlistment is the date they take this oath. **(T-0).**

15.3.2. Civilians who enlist for the purpose of attending the HQ USAFA/PL will be awarded the rank of E-1. These cadet candidates are entitled to the monthly student pay at the same rate as USAFA cadets according to United States Code Title 37, Section 203. **(T-0).**

15.3.3. The Office of General Counsel in a memorandum dated 9 February 2001, Subject: Pay of Service Academy Preparatory School Students, ruled the pay entitlement for a reserve member depends on whether the reservist, at the time of selection, has been serving in a active duty capacity for more than 30 days. Reference memorandum at attachment 3, figure A3.1. **(T-0)**.

FRANK R. VERDUGO, Lt Col, USAF  
Director, Financial Management and Comptroller

**Attachment 1****GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

5 USC 8440e, *Members of the Uniformed Services*  
10 USC 702, *Cadets and Midshipmen*  
10 USC 971, *Service Credit*  
10 USC 2005, *Advanced Education Assistance: Reimbursement Requirements*  
10 USC 4360, *Cadets: Charges and Fees for Attendance; Limitation*  
10 USC 9344, *Selection of Persons from Foreign Countries*  
10 USC 9350, *Cadets: Clothing and Equipment*  
32 CFR 903.5, *Reserve Enlistment Procedures*  
32 USC 204, *Entitlement*  
37 USC 203, *Rates (monthly base pay)*  
37 USC 211, *Participation in Thrift Savings Plan*  
AFI 36-2107, *Active Duty Service Commitments (ADSC)*, 30 April 2012  
AFI 36-3207, *Separating Commissioned Officers*, 9 July 2004  
AFMAN 33-363, *Management of Records*, 1 March 2008  
AFMAN 34-102, *Directory of Government Quarters and Dining Facilities*, 23 December 2013  
AFPD 65-1, *Management of Financial Services*, 1 July 1996  
DoDD 1322.22, *Service Academies*, Aug 24, 1994, Change 1, Sep 20, 2011  
DoDD 1332.23, *Service Academy Disenrollment*, Feb 19, 1988, Change 1, Sep 20, 2011  
DoDFMR, *Department of Defense Financial Management Regulations*  
JFTR, *Joint Federal Travel Regulation*  
USAFAI 36-2014, *Allocation of Cadet Time*, 15 July 2008  
USAFAI 65-103, *Financial Management Policy*, 30 May 2012

***Prescribed Forms***

USAF Form 118, *Cadet Basic Allowance for Subsistence (BAS) Request*

***Adopted Forms***

AF Form 847, *Recommendation for Change of Publication*  
AF Form 988, *Leave Request/Authorization*  
DD Form 139, *Pay Adjustment Authorization*  
DD Form 2558 USAFA Overprint, *Authorization to Start, Stop or Change an Allotment*

NA-9, *Evaluating Fees and Charges*

SF 1080, *Voucher For Transfers Between Appropriations And/Or Funds*

***Abbreviations and Acronyms***

**AF**—Air Force

**AFAF**—Air Force Assistance Fund

**AFAGO**—Air Force Accounting and Finance Office

**AFMAN**—Air Force Manual

**AFPC**—Air Force Personnel Center

**AFPD**—Air Force Policy Directive

**AFRC**—Air Force Reserve Command

**AFRIMS**—Air Force Records Information Management System

**AMT**—Academy Military Training NCO

**ANG**—Air National Guard

**AOC**—Air Officer Commanding

**AOG**—Association of Graduates

**APF**—Appropriated Fund

**BAS**—Basic Allowance for Subsistence

**CFC**—Combined Federal Campaign

**CMA**—Centrally Managed Allotment

**CMS**—Case Management System

**COE**—Cost of Education

**CPG**—Cadet Pay Group

**CPG**—Cost Per Graduate

**CZTE**—Combat Zone Tax Exclusion

**DFAS**—Defense Finance and Accounting Service

**DoD**—Department of Defense

**DoDD**—Department of Defense Directive

**DoDFMR**—Department of Defense Financial Management Regulations

**DTS**—Defense Travel System

**FICA**—Federal Insurance Contributions Act

**FM**—Financial Management

**FMA**—Financial Management Analysis

**FMF**—Financial Management Finance  
**FMN**—Financial Management NAF  
**FMP**—Financial Management Policy  
**GPA**—Grade Point Average  
**HDP-L**—Hardship Duty Pay-Location  
**HQ**—Headquarters  
**HQ USAFA/CC**—USAFA Superintendent  
**IAW**—In Accordance With  
**IDP**—Imminent Danger Pay  
**IRS**—Internal Revenue Service  
**JA**—Judge Advocate  
**JFTR**—Joint Federal Travel Regulation  
**NAF**—Non-Appropriated Fund  
**NAFI**—Non-Appropriated Fund Instrumentality  
**OPM**—Office of Personnel Management  
**OPR**—Office of Primary Responsibility  
**OSD**—Office of the Secretary of Defense  
**OUSD(C)**—Office of the Under Secretary of Defense (Comptroller)  
**OUSD(P)**—Office of the Under Secretary of Defense (Policy)  
**OUSD(P&R)**—Office of the Under Secretary of Defense (Personnel and Readiness)  
**RDS**—Records Disposition Schedule  
**RMO**—Resource Management Office  
**SAF/FMP**—Deputy Assistant Secretary of the Air Force (Financial Operations)  
**SecDef**—Secretary of Defense  
**SSN**—Social Security Number  
**TDY**—Temporary Duty  
**TSP**—Thrift Savings Plan  
**US**—United States  
**USAFA**—United States Air Force Academy  
**USC**—United States Code

## Attachment 2

COMBAT ZONE TAX EXCLUSION (CTZE),  
HARDSHIP DUTY PAY-LOCATION (HDP-L)  
AND IMMINENT DANGER PAY (IDP)  
FOR AIR FORCE ACADEMY CADETS

Figure A2.1. Combat Zone Tax Exclusion (CZTE) for Air Force Academy Cadets.



Office Of The General Counsel

DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

FOR: AF/DPDF

APR 15 2015

FROM: SAF/GCA (Marques Peterson)

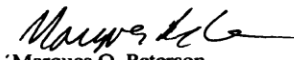
SUBJECT: Combat Zone Tax Exclusion (CZTE) for Air Force Cadets

This memorandum responds to your question of whether Air Force Academy (AFA) cadets temporarily deployed to Combat Zones or Qualified Hazardous Duty Areas qualify for special pay or tax relief. It is our position based on DOD guidance that AFA cadets do not qualify for special pay or tax relief.

The possible special pay includes Hardship Duty Pay-Location (HDP-L) and Imminent Danger Pay (IDP). Additionally, service members deployed to these areas may qualify for Combat Zone Tax Exclusion (CZTE). A combat zone is any area the [P]resident of the United States designates by executive order as an area in which the U.S. armed forces are engaging or have engaged in combat. 26 U.S.C. § 112(c)(2). Additionally, for IRS purposes, qualified hazardous duty areas are treated in the same manner as if it were a combat zone. *Id.*

Service members who serve one or more days in a designated combat zone are entitled to federal tax exclusion benefits for the period in the combat zone. Service members in several other areas specified by law as "qualified hazardous duty areas" are eligible for the same tax breaks. Additionally, service members providing direct support for military operations within designated combat zones or qualified hazardous duty areas are eligible for income tax exclusion. However, DODFMR, Vol 7A, Ch. 38, Sec. 3807 says, "cadets and midshipmen are not entitled to incentive pay for hazardous duty or special pay for duty subject to hostile fire or imminent danger. Therefore, AFA cadets serving in, or support of, combat zones or qualified hazardous duty areas are not eligible for income tax exclusions.

If you have any further question, please contact me at [marques.peterson@pentagon.af.mil](mailto:marques.peterson@pentagon.af.mil) or (703) 697-4165.

  
Marques O. Peterson  
Counsel  
(Fiscal and Administrative Law)

## Attachment 3

## PAY OF SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

Figure A3.1. Office of General Counsel memorandum dated 9 February 2001, Subject: Pay of Service Academy Preparatory School Students.



DEPARTMENT OF DEFENSE  
OFFICE OF GENERAL COUNSEL  
1600 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1600

February 9, 2001

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE  
(MILITARY PERSONNEL POLICY)

SUBJECT: Pay of Service Academy Preparatory School Students

You requested our advice regarding two legal opinions relating to the pay of Service academy preparatory school students. The DFAS General Counsel opinion correctly applies the requirements of 37 U.S.C. § 203(e) to reservists selected to attend Service academy preparatory schools.

The applicable provision was enacted as section 603(a) of the National Defense Authorization Act for Fiscal Year 1994<sup>1</sup>. While the Conference Report (House Report 103-357) associated with that Act does not yield an explicit rationale, the following entry associated with the House "mark" (House Report 103-200 to accompany HR 2401) is instructive:

**"SECTION 603--PAY FOR STUDENTS AT SERVICE ACADEMY PREPARATORY SCHOOLS.**

This section would amend title 37, United States Code to limit the pay rate for non-prior service students at service academy preparatory schools to the same monthly rate as provided for cadets and midshipmen."

Further, this statute followed a review conducted by the U.S. General Accounting Office<sup>2</sup> in March 1992 which generated a requirement<sup>3</sup> that the Department report to Congress by April 1993 on a "plan to make the operation of the preparatory schools ... more efficient and cost effective." In its report to the Committees on Armed Services, the Department stated the following:

"To reduce costs, the Department is initiating a reform of cadet/midshipman candidate pay computation. Currently, all cadets and midshipmen in the preparatory schools are paid as active or active reserve component enlisted members. In the case of cadet and midshipman candidates from the regular enlisted ranks, pay and benefits remain at the level of their pay grade before they entered the preparatory schools. For candidates entering from high schools, pay is computed at the level of an entering enlisted recruit on active duty (E-1), including allowances. Pay is typically increased to E-2 level after about 6 months into the school year.

"Upon review, there is insufficient justification for enlisted pay for non-prior service candidates. The Department recommends a system of compensation for non-prior service candidates that is

<sup>1</sup> PL 103-160, November 30, 1993.

<sup>2</sup> GAO Report to the Chairman, Senate and House Committees on Armed Services, "DOE SERVICE ACADEMIES, Academy Preparatory Schools Need a Clearer Mission and Better Oversight" (GAO/NSIAD-92-57, March 1992)

<sup>3</sup> PL 102-484, §522.

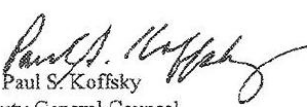


similar to that of academy cadets and midshipmen . . . . By instituting pay reform so that non-prior service candidates do not receive military pay and allowances while attending the preparatory schools, cost per student of the preparatory schools could be reduced . . . ." (Emphasis added.)

The April 1993 DoD report explained the Department of Defense's reasons for different pay systems for prior and non-prior enlisted personnel attending the preparatory schools. The Department noted that non-prior service candidates are not recruited under a service obligation and are allowed to return to the private sector if they do not successfully complete the preparatory program. In addition, the Department stated that the full-time nature of the schools' programs and the comprehensive coverage for room, board, recreation, and medical and dental care negated the need for active military pay for preparatory school students. However, the Department determined that it would continue the current system of pay for prior enlisted personnel because they retain an active service obligation if they do not enter the academy after completing the preparatory school. The Department recommended a system of compensation for non-prior service candidates that was similar to that of academy cadets and midshipmen and stated that, working with the Services, it was developing a legislative proposal "to modify governing statutes (37 U.S. Code) to enact this policy."

The DoD report that prompted the legislation, as well as the House Report explaining the legislation, refer to "non-prior service" candidates. As enacted, the statute establishes a pay requirement that depends on whether the enlisted member, at the time of selection, has been "on active duty for a period of more than 30 days." (Emphasis added.) As written, the statute is consistent with the Department's report recommendation and requires preparatory school students be paid at the rate established for Service academy cadets or midshipmen unless, at the time of selection, that person has been on active duty for a period more than 30 days. The statute does not distinguish between active duty and reserve enlisted members. As such, the pay entitlement depends on whether the reservist, at the time of selection, has been serving in an active duty capacity for more than 30 days.

The DFAS General Counsel position correctly applies the statute to reservists selected to attend a Service academy preparatory school. This memorandum has been coordinated with the Office of the Deputy General Counsel (Fiscal).

  
Paul S. Koffsky  
Deputy General Counsel  
(Personnel and Health Policy)

cc: DGC (Fiscal)  
Sr. DGC/DA  
GC, DFAS